

MANAGEMENT DISCUSSION ANALYSIS REPORT

INFRASTRUCTURE OVERVIEW

A strong infrastructure sector is vital to the development of a country's economy. Here, the Indian government has played an important role. Just recently, it allowed 100 per cent foreign direct investment (FDI) under the automatic route for port development projects. The government has also, this year, decided to convert roads into national highways, and has sought collaboration with Sudan in the field of renewable energy.

India's Planning Commission has projected an investment of US\$ 1 trillion for the infrastructure sector during the 12th Five-Year Plan (2012–17), with 40 per cent of the funds coming from the country's private sector. India's focus on infrastructure since the turn of the millennium has helped make it the second fastest growing economy in the world. The country's constant growth gives investors, domestic and foreign tremendous opportunity for investment in its infrastructure sector.

GOVERNMENT INITIATIVES:

Some of the Indian government's recent initiatives in the infrastructure sector are summarised below:

The Union Cabinet in February 2014 gave its approval for declaration of around 7,200 km of State Roads as new national highways. Other road development projects in the pipeline include existing national highways network totaling 21,271 km, which are not covered under any programmes/schemes as of now.

Also, in a move to enhance energy efficiency of the Indian Railways, a web-based Electrical Energy Management System, RAILSAYER, was inaugurated by Mr Kul Bhushan, Member Electrical, Railway Board, in April 2014. The portal will be used for tackling the challenges of global warming and sustainability of the environment.

In another development, the Indian government has facilitated 100 per cent FDI under the automatic route for port development projects. A 10-year tax holiday has been accorded to enterprises that are engaged in the business of developing, maintaining and operating ports, inland waterways and inland ports.

The country is also looking to collaborate with foreign partners. India and Sudan have good potential for enhancing cooperation in promoting renewable energy, as per Dr Farooq Abdullah, Union Minister of New and Renewable Energy, Government of India. The Minister has also offered Indian assistance for developing renewable energy resources in Sudan.

INDUSTRY OUTLOOK:

India Ratings & Research (Ind-Ra) has maintained an overall negative outlook for the infrastructure sector for FY16. While several availability-based road projects and the rated airports are likely to display stable credit characteristics through FY15, the outlook remains negative for toll roads under construction as well as those in early stages of operations along with minor seaports. Thermal power

projects will continue to face stress on account of unresolved off-take and fuel supply issues and hence carry a negative outlook; on the other hand, the agency expects renewable power projects (wind and solar in particular) to be largely stable.

OPPORTUNITIES & THREATS:

Opportunities:

- ◆ The growth in population and economy leading demand for infrastructure and its opportunity to provide better infrastructure
- ◆ The government estimates that \$1 trillion of investments will be required for developing India's infrastructure in the 12th plan period.
- ◆ Drawing up medium- and long-term strategies, based on expected growth in the sector
- ◆ Benchmarking current and expected IRRs with those projected by industry
- ◆ Understanding the impact of the regulatory environment on business

Threats:

- ◆ Uncertainty, especially Mining sector due to delay in resolving environmental and social issues.
- ◆ Demand for higher capacity equipment, in line with the global market trend.
- ◆ High expectations of contractor segment.
- ◆ Increasing pressure on reducing ownership costs.
- ◆ Improved technology for operational cost to stay ahead in business.
- ◆ Innovative marketing strategies to counter competition from MNCs by
- ◆ Uncertainty in Defense business.
- ◆ Attrition in skilled manpower.
- ◆ Project imports at nil duty.
- ◆ Opening up of Defense purchases to private sector increasing further competition.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The Company has an internal control system designed to provide high degree of assurance regarding optimization and safeguarding of resources, quality and reliability of financial and operational information, compliance with applicable statutes and corporate policies. It is the Company's Endeavour to align all its processes and controls with global best practices

The internal audit process is designed to review the adequacy of internal control checks in the system and covers all significant areas of the company's operations. The internal audit department performs risk based audits, based on an internal audit plan, which is reviewed each year in consultation with the statutory auditors and the audit committee. The Audit Committee reviews audit reports submitted by the internal auditors and follow up on the implementation of corrective actions periodically.

FUTURE OUTLOOK

As members are aware that the Company has entered in the infrastructure and construction business recently and has shown performance of the Company was satisfactorily for the FY 2017-2018.